



Business Case

Project Name: FARS Retirement

Channel: Students/Chief Financial Officer

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Project Description

This document describes the business case for the retirement of the Financial Accounting and Reporting System (FARS) in the context of the Office of Student Financial Assistance (OSFA) "Modernization Blueprint." The OSFA Modernization Blueprint describes the business requirements, business and technical architecture, and sequencing plan that OSFA will use to transform the Student Financial Assistance (SFA) organization using leading edge technology.

A key business requirement of the financial management function within the modernization document is an integrated financial management system that manages the flow of financial information across all of SFA's information systems. In the future, in order to perform new PBO (Performance Based Organization) specific financial management functions mandated by law, SFA will need its own integrated financial management system. The Oracle Financial Management System (FMS) has been selected to perform these functions; as a result, an analysis is necessary to assess the on-going need for the FARS system and its functions.

What is the purpose of the initiative?

The primary purpose of this initiative is to perform an analysis of FARS and its functions and create a design to handle those functions in the future. Specific purposes are as follows:

- Document requirements currently allocated to FARS so they can be re-allocated to FMS or another solution.
- Develop a detail design document for each affected system that describes the technical approach to be used to implement the functional requirements, including the inputs, outputs and process flow.
- Outline a test approach and plan to be used to validate and verify the solution.
- Identify training activities necessary to ensure successful rollout of the new functions.
- Confirm baseline operational costs associated with FARS and develop a share in savings value based deal.
- Provide project management for task order activities.

What is the scope of the initiative, including what it is not?

The scope of this task order includes activities related to the analysis of requirements and the design associated with retiring FARS. The final product of this task order is design documentation for all on-going functions including any required interfaces. In addition, test plans and training requirements will be documented.



It is intended that the effort described in this task order will be subsumed within a value-based proposition that is under discussion at this time. However, in the event that does not happen, this firm fixed price task order is intended to produce the deliverables as described in the Approach section below.

In designing the changes necessary to accomplish this initiative, the following systems and contractors will be required:

- Financial Accounting and Reporting System (ACS)
- MIS Reporting (ACS)
- Direct Loan Servicing System (ACS)
- Financial Management System (Accenture)
- Data Repository (TBD)

During the design phase, these systems will be analyzed for necessary modifications. The Loan Origination (LO), Loan Consolidation (LC) and Treasury systems may be involved in testing efforts but should not need to be modified.

Approach

The approach to delivering this task order is detailed below:

A. Document Requirements

Scope

Analysis of existing requirements and development of high-level approach for fulfilling requirement in the future, lead joint application development (JAD) sessions among all systems to coordinate identification and allocation of requirements, and preparation of requirements documentation.

Process

Requirements analysis teams will be identified at each of the affected systems to analyze the FARS requirements needing to be moved and to develop high-level approaches for fulfilling these requirements. Coordination among the subsystems will be through JAD sessions. Requirements will be documented in requirements specifications.

B. Develop detailed design

Scope

Analysis of documented requirements and development of detailed-level technical specification for implementing requirement, lead joint application development (JAD) sessions among all systems to coordinate designs, and preparation of design documentation.

Process

Design teams will be identified at each of the affected systems to analyze the FARS requirements and develop detailed-level technical approaches for fulfilling these requirements. Coordination



among the subsystems will be through JAD sessions. Designs will be documented in detail design documents, describing the inputs, outputs and process flows of the necessary changes.

Deliverables

- 68.1.1 FARS/FMS Design
- 68.1.2 FARS/MIS Reporting Design
- 68.1.3 FARS/Data Archiving Design

C. Outline test approach

Scope

Analysis of existing requirements and development of test conditions and cycles, lead meetings among all systems to coordinate test plans, conditions, and cycles, preparation of test documentation.

Process

Test teams will be identified at each of the affected systems to analyze the FARS requirements and develop test plans, conditions and cycles. Coordination among the affected systems will be through joint meetings. Test cases, conditions, and cycles will be documented in test plans.

D. Identify training requirements

Scope

Analysis of existing requirements and approach for fulfilling requirement in the future, interviews with users to confirm necessary process changes and training needs, preparation of training assessment.

Process

Training specialists will confirm changes to jobs or processes required by the migration of the requirements and will develop an assessment of the training activities that will be needed during the implementation.

E. Confirm FARS baseline operational costs and develop a share in savings value based deal

Scope/Process

Identify FARS-related costs and establish a baseline to use going forward, identify costs associated with the end solution, refine the overall business case, and craft a share in savings arrangement.

F. Project management

Scope/Process



Coordinate the activities of the project team to meet the project time frames. Provide project planning for activities and provide status information and issues escalation during the execution of the project.

What is the start date and end date of the initiative?

This Task Order is scheduled for four months in FY2001; however, the project will run into FY2002.

What other business areas/external groups are affected by the implementation of this initiative and how are they affected?

The analysis associated with this Task Order will identify the business areas and external groups that will be impacted by the retirement of FARS.

What systems are impacted by the implementation of this initiative and how are they impacted?

Detailed analysis of systems impacted by the retirement of FARS is within the scope of this Task Order. At a high level and based on the current interfaces to and from FARS, the following systems will most likely be impacted by this initiative:

- FARS – will be retired; however, the analysis may uncover functions or pieces that may remain for a period of time
- FMS – will assume execution of the current accounting functions as well as potentially other functions performed by FARS
- Data Repository or other archiving system – will be created to house detailed data for reporting and audit trail purposes
- LO – draw down procedures may change as a result of this initiative; LO will utilize FMS instead of FARS for reconciliation and system balancing
- DLSS, LC – will utilize FMS instead of FARS for reconciliation and system balancing
- Reporting Subsystem (MIS) – required functionality will be retained; end solution may require modification or replacement to produce required deliverable reports

What business processes are impacted by the implementation of this initiative and how are they impacted?

The analysis associated with this Task Order will identify the business processes that will be impacted by the retirement of FARS.

Technologies Used

List the proposed technologies that will be used to implement this project

Name/type	Proposed use	Has technology been used at SFA before? Where?	Does Technology fit SFA's Architecture Standard? Explain.	Does SFA have the technical expertise to implement this technology? Why?
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Oracle Federal Financials and Applicable Tools	SFA Financial Management System replacing the fin mgmt functions of FARS, including online activities	Yes – Phase II (proof of concept)	Yes - the technology used was approved by the Enterprise IT Management team.	Yes, with contractor support.
Data Storage & retrieval	Replacement for tape driven archiving and reporting function	TBD	Yes. The technology enables additional capabilities desired by SFA	Yes, with contractor support.
TBD	TBD			

Benefits

Retiring FARS supports SFA's Performance Based Organization (PBO) objectives of Cost Reduction, Employee Satisfaction, and Customer Satisfaction. Retiring FARS will provide the following:

Reduce the overall unit cost of Delivering Student Aid:

- FARS operations and maintenance costs currently run at approximately \$6 million a year. Retiring FARS will reduce those costs significantly as described in the business case below.
- The technology investment in FMS as the future SFA sub-accounting ledger has occurred; retiring FARS releases the effectiveness of that investment.

Improve Employee Satisfaction:

- Using the full functionality of FMS will benefit employees in a number of ways:
 - Provide more timely information retrieval and reporting to meet business needs
 - Enable employees to make accurate decisions with complete and timely information
 - Provide employees with better tools and training which will increase their accuracy and efficiency by reducing manual, paper-based work efforts
- The FARS replacement solution will offer more efficient and cost effective report generation functionality.

Improve Customer Service:

- Improve response time to financial information by providing a single source of current, on-line, accurate data

Reduce Unit Cost

Quantified Benefit (\$)	How will benefit be measured/realized?	When will benefit be realized?
The four components of FARS costs (Deliverables, Task Orders, Key Personnel & the VDC) will be reduced significantly while	Each of the cost components for FARS will be reviewed and reduced based on the redesign	Some benefits will begin upon retiring FARS; other savings will begin once renegotiation or contract termination occurs



maintaining the necessary functions		
<i>Assumptions</i>		
<ul style="list-style-type: none">- FMS will become the SFA sub accounting ledger prior to the retirement of FARS- For purposes of this business case, the legacy contract, which expires in 9/03, is assumed to continue throughout the business case timeframe		

Increase Employee Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Enable better access to data for trend analysis and other uses	From employee feedback.	Upon implementation of redesigned function, understanding that required training and infrastructure needs must be met to fully benefit from the redesign.
Provide employees with better tools and training which will increase their accuracy and efficiency by reducing manual, paper-based work efforts.	From employee feedback.	Upon implementation of redesigned function, understanding that required training and infrastructure needs must be met to fully benefit from the redesign.
<i>Assumptions</i>		

Increase Customer Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Improve response time to financial information by providing a single source of current, on-line, accurate data.	Ratings on Customer Satisfaction Surveys. Elimination of complaint calls seeking clarification due to data inconsistency.	With the transition to the FMS system
<i>Assumptions</i>		



Benefits & Costs

Estimated overall dollar amount of all benefits listed above. (See table below)

Provide costs, including those to implement the initiative and the costs to support it over its useful life. (See table below)

Incremental Savings Opportunity						
	FY01	FY02	FY03	FY04	FY05	Total
Baseline						
Overall FARS Costs:	4.8-6.3M	4.9-6.4M	5.1-6.7M	5.2-6.9M	5.4-7.1M	25.4-33.4 M
• VDC Operating Costs:	1.0-1.5 M	1.0-1.5 M	1.1-1.6 M	1.1-1.6 M	1.1-1.7M	5.3-7.9 M
• System Maintenance	0.5-1.0M	0.5-1.0M	0.5-1.1M	0.5-1.1M	0.6-1.1M	2.6-5.3 M
• Operations (Personnel/Deliverables)	3.3-3.8M	3.4-3.9M	3.5-4.0M	3.6-4.2M	3.7-4.3M	17.5-20.2 M
Incremental and Ongoing Operational Costs						
Total Incremental Costs	\$(2.0-2.7M)	\$(2.8-3.3M)				(4.8-6.0 M)
Ongoing Operational Costs		2.4 - 3.2 M	1.7 - 2.3 M	1.7 - 2.5 M	1.8 - 2.6 M	\$7.6 - 10.6 M
• VDC Operating Costs		0.7 - 1.0 M	0.4 - 0.5 M	0.4 - 0.5 M	0.4 - 0.6 M	1.9 - 2.6 M
• System Maintenance		0.2 - 0.6 M	0.1 - 0.5 M	0.2 - 0.6 M	0.2 - 0.6 M	1.5 - 1.9 M
• Operations (Personnel/Deliverables)		1.5 - 1.6 M	1.2 - 1.3 M	1.1 - 1.4 M	1.2 - 1.4 M	9.1 - 10.8 M
Projected Savings						
Gross Savings		2.5 - 3.2 M	3.4 - 4.3 M	3.5 - 4.4 M	3.6 - 4.5 M	\$13.0 - 16.4 M
Net Incremental Savings	(2.0 - 2.7M)	(0.8M) - 0.4M	3.4 - 4.3 M	3.5 - 4.4 M	3.6 - 4.5 M	\$7.7 - 10.9 M
Total Requested: \$1 million						

Assumptions

- The \$1.0 million in FY01 represents the initial investment required to fund this task order and will cover the items listed below. Subsequent development costs would be included as a part of the payments of a Share in Savings Task Order.
 - Analysis and requirements gathering and design for FARS Retirement.
 - Document test plans and training requirement.
 - Confirm baseline operational costs and anticipated savings in order to structure a share in savings deal.
- The total implementation costs are estimated to range between 4.8 - 6.0 million.
- Costs and savings figures have been derived based on the following assumptions:
 - The reduction in Production processes results from mainframe support reduction and efficiencies gained with FMS.
 - Key Personnel includes contractors allocated to FARS. Reduction results from dropping key personnel.
 - System maintenance will be reduced or eliminated once the FARS system is retired.
 - Baseline costs for VDC will be confirmed; data center reduction is due to the elimination of the IBM mainframe processing; only a minimal amount will be required for reporting & storage.
- Ongoing operations and maintenance costs associated with the end solution were calculated using a 3-year average CPI of 3.1%
- Modernization Partner recommends that we pursue this as a shared in savings deal. Under that structure, SFA would not be required to pay out any money until the savings are realized (mid- to late-FY02) and could negotiate the percentage of savings that Modernization Partner would receive



on a yearly basis. They would also be able to negotiate the total savings cap that Modernization Partner would receive.

Total Cost of Ownership

What is the level of required enhancement after implementation?

There will be no enhancements associated with FARS after completion of this initiative. The surviving systems will require periodic system upgrades to meet changing legislative requirements and product updates. Product updates are typically issued on a yearly basis, with maintenance patches issued on an as required basis.

What is the life span of this initiative?

FARS itself will be retired when all functionality has been relocated to appropriate platforms. There will be FARS functions that survive as a part of FMS or other solution. The surviving systems typically last more than 5 years, with some lasting 10 years+.

Alternatives

Discuss what could be done in place of this initiative and describe the consequences of each alternative.

Alternative	Consequence
Remain as-is	<ul style="list-style-type: none">• Failure to retire FARS will reduce planned financial and budget controls envisioned for SFA, thereby impacting PBO success. Specifically, the significant investment in FMS would be rendered ineffective.• Additional updates would be required to accommodate SFA's program specific needs and timelines for change, which has not been easily achieved in the past.• When FMS goes live, there will be duplicate costs that increase SFA's cost structure.

Risks

Risk	Description of Risk	Mitigation Strategy
Financial	Cost overruns due to rework; expanding scope; delay in receiving approval of deliverables, resolution of issues, and establishment of technical environments	Develop/use existing standards; maintain close coordination between the project team and those responsible for approvals and resolutions; provide sufficient lead time for CIO IT Services and the VDC.
Technology	Dependence on FMS Phase III implementation	Maintain close coordination between the project team and the FMS project team; use experts from Modernization Partner and vendor personnel.
Scope	Agreement with assessment of functions –	Specifically identify requirements that will



	required or not, system replacing functions, development of like functions	be supported – all extensions to this will be considered enhancements which will require a modification to the existing Task Order or will require another Task Order
Management	Lack of resources within SFA; multiple concurrent activities affecting DL Servicing associated with the Modernization effort (eServicing, COD, eMPN, Consistent Answers, etc); Inadequate existing contractor support due to contract demise or realignment; competing activities of development personnel	Leverage Modernization Partner resources to manage the project; work closely with the SFA Project Lead (or designee) to resolve issues and prioritize work load
Exposure	None identified	

Acquisition Strategy

Sources (Indicate the prospective sources of supplies or services that can meet the need of this project. List the most likely offerors for the requirement, and/or the manufacturer and model of the equipment that will most likely be offered).

Modernization Partner will supply dedicated project team personnel to assist SFA in the implementation of this project.

Competition (Describe how competition will be sought, promoted, and sustained throughout the course of the acquisition, including any performance requirements that will be required).

This is a project for the Modernization Partner. Outside competition will not be sought.

Contract Considerations (For each contract contemplated, discuss contract type selection; use of multiyear contracting, options, or other special contracting methods, ex: performance-based).

The Modernization contract will be firm fixed price.



Schedule/Milestones (including acquisition cycle)

#	Milestone	Start Date	End Date
1	FARS Retirement:	04/16/01	07/31/01
2	Project Design Plan	04/16/01	04/27/01
3	FARS Retirement Requirements	04/16/01	06/01/01
4	FARS Retirement Design	05/29/01	07/27/01
5	Functional and Operational Test Plans	05/29/01	07/27/01
6	FARS Retirement Training Assessment	05/29/01	07/27/01
7	Business Case Development	05/15/01	08/15/01